

This Notice Expires 1 July 1972

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PERSONNEL

28 December 1971

REVISED FEDERAL INCOME TAX WITHHOLDING RATES

1. The Revenue Act of 1971 requires changes in Federal income tax withholding rates for salary payments made after 15 January 1972. The adjustments for Agency employees will be effective with the salary payments due on 21 January 1972 for employees paid every two weeks, and on 18 February 1972 for employees paid every four weeks. (The salary checks due on 21 January 1972 for employees paid every four weeks will be dated 13 January 1972 and thus will not be subject to the new rates.) For employees paid monthly, the adjustments will be effective with the salary payments due in February 1972 for the month of January.

2. The amount of Federal income taxes withheld will increase in most cases, despite the fact that the Revenue Act of 1971 brought about modest decreases in tax liability through an increase in personal exemptions to \$750 and an increase in the standard deduction to 15 percent with a \$2,000 ceiling. The increased withholdings result from basic revisions in the withholding rate structure designed to correct the underwithholdings of taxes that prevail in many instances at the present time. The increases, therefore, will be relatively most significant at the salary levels for which underwithholdings have been the greatest. The approximate amount of such increases by GS grade may be estimated on the basis of the examples shown in the attached schedule A.

3. Many employees have taken action under the present withholding structure to offset underwithholdings by claiming fewer personal exemptions than the number to which they are entitled and/or by authorizing additional withholdings. These employees after receiving their first salary check showing the increased withholdings may wish to cancel or reduce the amount of additional withholdings authorized or to increase the number of claimed personal exemptions. By referring to the table below, employees may estimate the approximate effect on the amounts to be withheld in claiming additional exemptions within authorized entitlements.

Estimated maximum percentage
which will apply in calcu-
lating total tax liability

Approximate reduction in with-
holdings for one additional
exemption per biweekly pay period

36 percent or more	\$10.40
32 percent	9.20
28 percent	8.00
25 percent	7.20
22 percent	6.30

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Desired changes in withholdings may be authorized by submitting Form 3280, Employees' Federal Withholding Exemption Certificate, to the payroll office. Revised forms received in the payroll office by the close of business on the dates indicated below will be processed to be effective for the first pay period subject to the increased rates.

<u>Pay Period</u>	<u>Closing Date</u>
Biweekly - 26 December - 8 January	4 January 1972
Four week - 9 January - 5 February	26 January 1972
Monthly - 1 January - 31 January	21 January 1972

FOR THE DIRECTOR OF CENTRAL INTELLIGENCE:

/s/ Robert S. Wattles
for JOHN W. COFFEY
Deputy Director
for Support

28 DEC 1971

Attachment

DISTRIBUTION: ALL EMPLOYEES

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